

TESTIMONY OF TOM CONWAY
HB 5243 AN ACT CONCERNING THE LISTING OF TAXES AND FEES ON CABLE BILLS

Last summer, I was reviewing my cable television bill and noted that taxes and fees were noted on one line and represented approximately 11% of the total bill. We all just tend to pay our bills each month (especially when the amount does not change) and not spend time understanding all the details. I found the amount to be quite high and called Cablevision/Optimum to get the details of the components of taxes and fees. The invoice and Customer Service were not very helpful as only general information was available. It is important to note that the invoice provides details of the charges for TV service (based upon level subscribed), additional outlet, cost of cable boxes and remotes, as well as sports surcharge (all of which is in a clear understandable format).

It took a significant amount of time and phone calls with Cablevision/Optimum including speaking frequently with a Supervisor over the course of a few weeks to finally get the details. For example, I initially was told the sales tax rate was 6.7%. After about three weeks, I received the attached spreadsheet from someone in the Tax Dept at Cablevision/Optimum (see filename Cable TV Taxes and Fees - Cablevision Analysis provided.xlsx). As you will see, the analysis is quite complicated. The primary components are gross receipts tax and sales tax.

Following a discussion with the person in the Cablevision/Optimum Tax Department, I was provided some explanations on the taxes that in effect (from my perspective) becomes a tax on a tax. Please see second file attached which is my analysis based upon the information I was provided (filename Cable TV Taxes and Fees - Analysis.xlsx):

- Sales Tax - it is the purchase price of the product as increased by the gross receipts and PEG tax of 5.25%, in other words it is the sales tax cost of the product and the sales tax cost of the gross receipts tax on the product.

- Gross Receipts and PEG Tax - There is also a gross receipts and PEG tax on the gross receipts and PEG tax which is passed through and therefore treated as taxable revenue of Cablevision. The other way to look at the gross receipts and PEG tax is to say the first layer is the gross receipts and PEG tax cost on the product and then that amount passed through is also subject to the gross receipts and PEG tax.

As I understand the taxes, the gross receipts and PEG taxes are actually levied on the cable company. However, the cable companies are allowed to pass through the taxes to its customers, which results in the gross receipts and PEG taxes being applied a second time, which makes the calculation complex to the customer to understand, as well as a higher effective tax rate than the published rates. The same issue also applies to Connecticut sales tax. This should not be labeled a tax to the consumer, but a fee paid to the cable company to reimburse the cable company for its tax obligation.

It is my belief that these calculations should be simplified for the consumers and payers of these taxes, as well as the disclosure of the details in the monthly bills to customers. The information should be clear enough to distinguish taxes and fees levied on the consumer by federal and/or state law. Any other "taxes and fees" imposed by Cablevision/Optimum should be separately identified, including the gross receipts tax.

Thank you for reviewing the law and making necessary adjustments for consumers to understand what the components of these charges represent.

Regards,

Tom Conway

Cable Television Monthly Bill
Taxes and Fees Detail

	Gold	Effective
Cable TV	Cost	Tax
Monthly package	Comments	Rates
	109.95	
Additional outlet	1.50	
4 / 5 cable boxes and remotes	39.00	
Sports surcharge	5.98	
Subtotal	156.43	Cost for total ordered services before taxes and fees
Conn Gross Receipts (5%)	7.82	
Conn Gross Receipts Supplemental (0.25%)	0.39	also known as PEG tax
Subtotal to determine sales tax	164.64	amount to apply sales tax and ultimate gross receipts tax
Conn Sales Tax (6.35%)	10.45	calculated amount - reported amount was \$10.47
Ultimate Conn Gross Receipts (5%)	8.23	calculated amount - reported amount was \$8.25
Ultimate Conn Gross Receipts Supplemental (0.25%)	0.41	calculated amount - reported amount was \$0.40
Auxiliary fee	0.03	
FCC fee	0.08	
PEG fee	0.47	
Rounding of tax amounts	0.03	
Taxes and fees	19.70	
Total	176.13	
	11.2%	Effective percentage of taxes and fees on total bill
	12.6%	Effective percentage of taxes and fees on ordered services before taxes and fees

		Rates	Gross Earnings tax	Sales tax	Ancillary Fee	FCC FEE	Peg Fee	Total
Service	109.9500							
	5.4975	0.05						
	0.2749	0.0025						
Total	115.7224			7.35				
	5.7861	0.05						
	0.2893	0.0025						
Total	6.0754		6.0754					
Add Out	1.500							
	0.075	0.05						
	0.004	0.0025						
Total	1.579			0.1003				
	0.079	0.05						
	0.004	0.0025						
Total	0.083		0.0829					
Surcharge	5.980							
	0.299	0.05						
	0.015	0.0025						
	6.294			0.3997				
	0.315							
	0.016							
Total	0.330		0.3304					
Equip	39.000							
	2.048	0.05						
	0.098	0.0025						
	41.145			2.6127				
	2.057	0.05						
	0.103	0.0025						
Total	2.160		2.1601					
Total			8.6489	10.4610	0.0300	0.0800	0.4700	19.6898